

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

May 22, 2006

Ms. Sybil B. Neaves, Director of Reimbursement
UHS-Pruitt Corporation
Post Office Box 1210
Toccoa, Georgia 30577

Re: AC# 3-RHH-J3 – Rock Hill Healthcare, Inc.

Dear Ms. Neaves:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period December 1, 2002 through September 30, 2003. That report was used to set the rate covering the contract period beginning October 1, 2004.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

ROCK HILL HEALTHCARE, INC.
ROCK HILL, SOUTH CAROLINA

CONTRACT PERIOD
BEGINNING OCTOBER 1, 2004
AC# 3-RHH-J3

AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2004	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2004 THROUGH SEPTEMBER 30, 2005	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2003	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 18, 2005

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Rock Hill Healthcare, Inc., for the contract period beginning October 1, 2004, and for the ten month cost report period ended September 30, 2003, as set forth in the accompanying schedules. The management of Rock Hill Healthcare, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

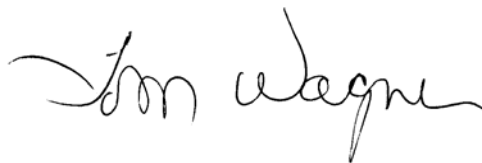
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Rock Hill Healthcare, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Rock Hill Healthcare, Inc. dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 18, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Tom Wagner", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

ROCK HILL HEALTHCARE, INC.
Computation of Rate Change
For the Contract Period
Beginning October 1, 2004
AC# 3-RHH-J3

	10/01/04- <u>09/30/05</u>
Interim Reimbursement Rate (1)	\$135.76
Adjusted Reimbursement Rate	<u>132.90</u>
Decrease in Reimbursement Rate	\$ <u><u>2.86</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

ROCK HILL HEALTHCARE, INC.

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2004 Through September 30, 2005
AC# 3-RHH-J3

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 66.72	\$ 70.99	
Dietary		11.31	12.15	
Laundry/Housekeeping/Maintenance		<u>10.51</u>	<u>10.42</u>	
Subtotal	<u>\$5.02</u>	88.54	93.56	\$ 88.54
Administration & Medical Records	<u>\$.40</u>	<u>14.66</u>	<u>15.06</u>	<u>14.66</u>
Subtotal		103.20	<u>\$108.62</u>	103.20
<u>Costs Not Subject to Standards:</u>				
Utilities		3.57		3.57
Special Services		.15		.15
Medical Supplies & Oxygen		3.17		3.17
Taxes and Insurance		7.57		7.57
Legal Fees		<u>.19</u>		<u>.19</u>
TOTAL		<u>\$117.85</u>		117.85
Inflation Factor (4.70%)				5.54
Cost of Capital				8.82
Cost of Capital Limitation				(1.06)
Profit Incentive (Maximum 3.5% of Allowable Cost)				.40
Cost Incentive				5.02
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.67)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$132.90</u>

ROCK HILL HEALTHCARE, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,606,081	\$11,782 (4) 8,404 (5)	\$50,099 (9) 5,990 (9)	\$2,570,178
Dietary	434,830	4,862 (4) 2,617 (5)	6,703 (9)	435,606
Laundry	103,764	-	5,296 (9)	98,468
Housekeeping	160,584	-	4,219 (9)	156,365
Maintenance	163,851	-	11,528 (1) 54 (5) 2,110 (9)	150,159
Administration & Medical Records	583,280	5,786 (2)	18,819 (5) 4,278 (9) 1,184 (9)	564,785
Utilities	125,985	11,528 (1)	143 (5)	137,370
Special Services	11,067	1,734 (4) 802 (5)	7,905 (6)	5,698
Medical Supplies & Oxygen	158,927	-	5,786 (2) 23,446 (3) 7,588 (6)	122,107
Taxes and Insurance	296,078	-	407 (5) 4,122 (8)	291,549
Legal Fees	3,190	3,985 (5)	-	7,175

ROCK HILL HEALTHCARE, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	298,938	721 (7)	789 (5)	339,657
	<u> </u>	<u>40,787</u> (10)	<u> </u>	<u> </u>
Subtotal	4,946,575	93,008	160,466	4,879,117
Ancillary	152,122	23,446 (3)	-	198,827
		23,259 (6)		
Nonallowable	858,833	4,404 (5)	18,378 (4)	879,586
		4,122 (8)	7,766 (6)	
		79,879 (9)	721 (7)	
	<u> </u>	<u> </u>	<u>40,787</u> (10)	<u> </u>
Total Operating Expenses	<u>\$5,957,530</u>	<u>\$228,118</u>	<u>\$228,118</u>	<u>\$5,957,530</u>
Total Patient Days	<u>38,523</u>	<u>-</u>	<u>-</u>	<u>38,523</u>
Total Beds	<u>132</u>			

ROCK HILL HEALTHCARE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Utilities	\$11,528	
	Maintenance		\$11,528
	To reclassify garbage collection fees DH&HS Crosswalk		
2	Administration	5,786	
	Medical Supplies & Oxygen		5,786
	To reverse the portion of cost report adjustment number fourteen which reclassified administrative supplies to nursing supplies DH&HS Crosswalk		
3	Ancillary	23,446	
	Medical Supplies & Oxygen		23,446
	To reclassify prescription drugs DH&HS Crosswalk		
4	Nursing	11,782	
	Dietary	4,862	
	Therapy	1,734	
	Nonallowable		18,378
	To adjust related party United Clinical expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Nursing	8,404	
	Dietary	2,617	
	Legal	3,985	
	Therapy	802	
	Nonallowable	4,404	
	Maintenance		54
	Administration		18,819
	Utilities		143
	Taxes, Licenses & Insurance		407
	Cost of Capital		789
	To adjust home office costs HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ROCK HILL HEALTHCARE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Ancillary	23,259	
	Medical Supplies & Oxygen		7,588
	Therapy		7,905
	Nonallowable		7,766
	To remove special (ancillary) services reimbursed by Medicare and reclassify diabetic testing supplies State Plan, Attachment 4.19D DH&HS Crosswalk		
7	Accumulated Depreciation	8,571	
	Other Equity	19,293	
	Cost of Capital	721	
	Fixed Assets		27,864
	Nonallowable		721
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Nonallowable	4,122	
	Taxes, Licenses & Insurance		4,122
	To adjust liability insurance HIM-15-1, Section 2304		
9	Nonallowable	79,879	
	Nursing		50,099
	Restorative		5,990
	Dietary		6,703
	Laundry		5,296
	Housekeeping		4,219
	Maintenance		2,110
	Administration		4,278
	Medical Records		1,184
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

ROCK HILL HEALTHCARE, INC.
Adjustment Report
Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Cost of Capital Nonallowable	40,787	40,787
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$255,982</u>	<u>\$255,982</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ROCK HILL HEALTHCARE, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.63785</u>
Deemed Asset Value (Per Bed)	41,198
Number of Beds	<u>132</u>
Deemed Asset Value	5,438,136
Improvements Since 1981	1,564,966
Accumulated Depreciation at 9/30/03	(<u>1,913,175</u>)
Deemed Depreciated Value	5,089,927
Market Rate of Return	<u>.0531</u>
Total Annual Return	270,275
Number of Days in Period	<u>304/365</u>
Adjusted Annual Return	225,106
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	225,106
Depreciation Expense	114,925
Amortization Expense	-
Capital Related Income Offsets	(374)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	339,657
Total Patient Days (Minimum 96% Occupancy)	<u>38,523</u>
Cost of Capital Per Diem	\$ <u>8.82</u>

ROCK HILL HEALTHCARE, INC.

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2003
AC# 3-RHH-J3

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 3.77
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>7.76</u>
Reimbursable Cost of Capital Per Diem	\$ 7.76
Cost of Capital Per Diem	<u>8.82</u>
Cost of Capital Per Diem Limitation	\$ <u>(1.06)</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.